



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MARION COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Marion County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Marion County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Marion County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Marion County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of and for the year ended June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Members of the Marion County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Marion County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The County Treasurer Should Prepare And Publish An Annual Settlement
- The County Judge/Executive Should Present All Claims To The Fiscal Court For Review
- The County Should Budget All Expected Receipts And Expenditures
- Accurate Accounting Records Should Be Maintained By The County
- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- Fiscal Court Should Take The Necessary Steps To Ensure That Health Insurance Premiums Are Properly Withheld From Employee Payroll Checks
- The County Should Not Make Expenditures In Excess Of Approved Budget

In accordance with Government Auditing Standards, we have also issued our report dated March 7, 2000, on our consideration of Marion County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.

Auditor of Public Accounts

Audit fieldwork completed -

March 7, 2000

MARION COUNTY OFFICIALS

June 30, 1998

David R. Hourigan	County Judge/Executive
Joseph H. Mattingly III	County Attorney
Samuel Edward Lee III	County Clerk
Kim May	Circuit Court Clerk
Carroll Kirkland	Sheriff
Charles L. Webb	Jailer
Raphael Spalding	Property Valuation Administrator
Donald J. George	County Treasurer
Bobby A. Hardin	Coroner
William Kelley Bradshaw, Jr.	Magistrate
J. B. Thomas	Magistrate
Robert G. Craig, Sr.	Magistrate
Joseph D. Thompson	Magistrate

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STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

MARION COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:	
Cash	\$ 22,838
Road and Bridge Fund:	
Cash	492
Jail Fund:	
Cash	49,472
Jail Commissary Fund:	
Cash	25,894
Local Government Economic Assistance Fund:	
Cash	10,433
Ambulance Service Fund:	
Cash	13,702
Public Properties Corporation Fund:	
Cash - Fair Association Account	9,395
Cash - Jail Construction Account	1,977,705

Other Resources

Public Properties Corporation Fund:	
Amounts to be Provided in Future Years for Note Principal Payments (Note 4)	<u>5,478,000</u>
Total Assets and Other Resources	<u><u>\$ 7,587,931</u></u>

The accompanying notes are an integral part of the financial statements.

MARION COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 1998
(Continued)

Liabilities and Fund Balances

Liabilities

Public Properties Corporation Fund:

Note Principal Payable (Note 4A)	\$ 28,000
Note Principal Payable (Note 4B)	5,450,000

Fund Balances

Reserved:

Jail Commissary Fund	25,894
Ambulance Service Fund	13,702
Public Properties Corporation Fund	1,987,100

Unreserved:

General Fund	22,838
Road and Bridge Fund	492
Jail Fund	49,472
Local Government Economic Assistance Fund	10,433

Total Liabilities and Fund Balances	<u>\$ 7,587,931</u>
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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

MARION COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 5,140,198	\$ 2,866,649	\$ 855,795	\$ 869,119
Transfers In	801,064	25,000	51,499	506,065
Kentucky Advance Revenue Program	1,265,205	1,166,540	98,665	
Borrowed Money	5,550,000			
Lease-Purchase Proceeds	55,000	15,000	40,000	
Jail Commissary Fund Receipts	119,566			
Total Cash Receipts	<u>\$ 12,931,033</u>	<u>\$ 4,073,189</u>	<u>\$ 1,045,959</u>	<u>\$ 1,375,184</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 4,804,244	\$ 2,224,667	\$ 913,042	\$ 1,218,425
Transfers Out	801,064	660,500	45,000	26,499
Schedule of Grant Fund Expenditures	136,820			
Schedule of Public Properties Corporation Fund Expenditures	1,270,665			
Kentucky Advance Revenue Program Repaid	1,265,205	1,166,540	98,665	
Borrowed Money Repaid	3,706,206			81,049
Jail Commissary Fund Expenditures	94,672			
Total Cash Disbursements	<u>\$ 12,078,876</u>	<u>\$ 4,051,707</u>	<u>\$ 1,056,707</u>	<u>\$ 1,325,973</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 852,157	\$ 21,482	\$ (10,748)	\$ 49,211
Cash Balance - July 1, 1997	<u>1,257,774</u>	<u>1,356</u>	<u>11,240</u>	<u>261</u>
Cash Balance - June 30, 1998	<u>\$ 2,109,931</u>	<u>\$ 22,838</u>	<u>\$ 492</u>	<u>\$ 49,472</u>

The accompanying notes are an integral part of the financial statements.

MARION COUNTY
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
Fiscal Year Ended June 30, 1998
(Continued)

Jail Commissary Fund	Local Government Economic Assistance Fund	Ambulance Service Fund	Grant Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$
1,000	7,759 90,000	290,532 72,500	136,820	113,524 55,000
				5,550,000
119,566				
\$ 120,566	\$ 97,759	\$ 363,032	\$ 136,820	\$ 5,718,524
\$	\$	\$	\$	\$
	97,250	350,860		69,065
			136,820	
				1,270,665
				3,625,157
94,672				
\$ 94,672	\$ 97,250	\$ 350,860	\$ 136,820	\$ 4,964,887
\$	\$	\$	\$	\$
25,894 0	509 9,924	12,172 1,530	0 0	753,637 1,233,463
\$ 25,894	\$ 10,433	\$ 13,702	\$ 0	\$ 1,987,100

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Marion County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Jail Commissary Fund, and the Marion County Public Properties Corporation as part of the reporting entity.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Marion County budget is adopted on a cash basis of accounting and laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

Kentucky Revised Statute 66.480 authorizes the county to invest in obligations of the U.S. Treasury, in bonds or certificates of indebtedness of this state and of its agencies, savings and loan associations insured by an agency of the government of the United States up to the amount so insured, interest-bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank pledges as security obligations equal to uninsured amounts.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent. Hazardous covered employees are required to contribute 7 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.21 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report. The annual report is a matter of public record.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The county met the requirements stated above, and as of June 30, 1998, deposits were fully insured or collateralized at a 100% level with securities held by the county's agent in the county's name.

MARION COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 4. Long-Term Debt

- A. On June 21, 1995, the Marion County Public Properties Corporation borrowed \$40,000 from Citizens National Bank for the purpose of funding improvements made to the Floral Hall at the Marion County Fairgrounds. Interest is payable semiannually at the rate of 6.75 percent. The note is to be repaid upon demand. As of June 30, 1998, the balance of the note was \$28,000.
- B. On June 10, 1998, the Marion County Public Properties Corporation entered into a contract, lease and option in the amount of \$5,450,000 from Community Trust Bank, F.S.B. for the purpose of funding the expansion of the Marion County Detention Center. The estimated cost of the expansion was \$1,990,406; the remaining balance of the contract, lease and option was used to pay off the financing statement with Star Bank, N.A. for the original construction. The date of the final maturity of the obligation secured is May 1, 2018. As of June 30, 1998, \$5,450,000 has been obligated.

Note 5. Lease Purchase-Agreements

The county has entered into the following lease-purchase agreements:

Description	Purchase Date	Maturity Date	Interest Rate	Amount
Lease Purchase Agreements:				
Various Equipment and Vehicles #1	01/13/95	01/13/99	5.75	\$ 103,022
Various Equipment and Vehicles #2	06/01/96	12/01/98	5.25	\$ 15,020
Various Equipment and Vehicles #3	04/22/96	12/22/98	5.25	\$ 5,466
Various Equipment and Vehicles #4	12/02/96	05/15/06	6.25	\$ 63,171

Note 6. Subsequent Event

Subsequent to June 30, 1998, it was noted that family plan health insurance premiums from employee salaries had not been properly withheld. During the period July 1, 1996 through June 30, 1999, the estimated amount not withheld is in excess of \$33,000. During the fiscal year ended June 30, 1998, the estimate is \$13,855. Fiscal Court is currently attempting to recoup these funds through the county treasurer's bond.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

MARION COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 3,521,396	\$ 2,866,649	\$ (654,747)
Road and Bridge Fund	1,072,466	855,795	(216,671)
Jail Fund	1,287,573	869,119	(418,454)
Local Government Economic Assistance Fund	99,143	7,759	(91,384)
Ambulance Service Fund	376,000	290,532	(85,468)
Totals	<u>\$ 6,356,578</u>	<u>\$ 4,889,854</u>	<u>\$ (1,466,724)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 6,356,578
Add: Prior Year Surplus Budgeted			111,755
Less: Other Financing Uses			<u>1,347,540</u>
Total Operating Budget - All Funds			<u>\$ 5,120,793</u>

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SCHEDULE OF OPERATING REVENUE

MARION COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Revenue From Local Taxes <u>and Excess Fees</u>				
Sheriff:				
Taxes	\$ 448,538	\$ 448,538	\$	\$
Excess Fees	9,425	9,425		
County Clerk:				
Deed Transfer Tax	40,081	40,081		
Delinquent Taxes	3,343	3,343		
Occupational Licenses	6,251	6,251		
Excess Fees	65,000	65,000		
Tangible Personal Property Taxes:				
Other Counties	9,139	9,139		
County Clerk	65,596	65,596		
Omitted Tangible Tax	1,457	1,457		
Occupational Employment Tax	996,937	996,937		
In Lieu of Taxes:				
City of Lebanon	64,849	64,849		
Totals	<u>\$ 1,710,616</u>	<u>\$ 1,710,616</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Federal Receipts - State Treasurer</u>				
Community Development Block Grant-				
Finley Ridge Water Project	\$ 136,820	\$	\$	\$
Disaster and Emergency Services Reimbursement	5,550	5,550		
Totals	<u>\$ 142,370</u>	<u>\$ 5,550</u>	<u>\$ 0</u>	<u>\$ 0</u>

MARION COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Ambulance Service Fund	Grant Fund	Public Properties Corporation Fund
\$	\$	\$	\$
\$ 0	\$ 0	\$ 0	\$ 0
\$	\$	\$	\$
\$ 0	\$ 0	136,820	\$ 0
\$ 0	\$ 0	\$ 136,820	\$ 0

MARION COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 50,689	\$	\$	\$ 50,689
Medical Allotments	3,976			3,976
DUI Service Fees	3,169			3,169
Controlled Intake	546,561			546,561
County Road Aid	600,840		600,840	
Transportation Cabinet Grants	119,716	26,557	93,159	
Public Defender Allotment	5,572	5,572		
Truck License Distribution	151,650		151,650	
Courthouse Rental - Administrative				
Office of the Courts	64,025	64,025		
Refunds:				
Driver Licenses	1,672		1,672	
Legal Process Tax	102	102		
Dog Licenses	17	17		
Severance Taxes:				
Mineral	7,470			
Board of Assessments	450	450		
Grants:				
Ambulance	29,268			
Disaster and Emergency				
Reimbursement Services	2,100	2,100		
Totals	<u>\$ 1,587,277</u>	<u>\$ 98,823</u>	<u>\$ 847,321</u>	<u>\$ 604,395</u>

MARION COUNTY
SCHEDULE OF OPERATING REVENUE
Fiscal Year Ended June 30, 1998
(Continued)

Local Government Economic Assistance Fund	Ambulance Service Fund	Grant Fund	Public Properties Corporation Fund
\$	\$	\$	\$
7,470	29,268		
\$ 7,470	\$ 29,268	\$ 0	\$ 0

MARION COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Miscellaneous Revenue</u>				
Interest	\$ 6,569	\$ 2,037	\$ 3,359	\$ 585
Interest On Other Investments	65,433	31,322	2,650	
Circuit Court Clerk:				
Jail Cost	11,247			11,247
Bond Acceptance Fees	4,787			4,787
Work Release	5,796			5,796
Contracts with Government				
Agencies	220,733			220,733
County Fair and Shows	81,870			
Licenses and Permits:				
Cable TV Franchise	2,129	2,129		
Other Franchise	3,644	3,644		
Charges for Services:				
Garbage Collection	917,483	917,483		
Dog Pound	1,763	1,763		
Ambulance Service	252,691			
Donation - Animal Shelter	50,000	50,000		
Kentucky Association of County Officials Dividend	16,230	13,677		
Reimbursements:				
Insurance	3,435			
Other	2,479			
Miscellaneous Items	53,646	29,605	2,465	21,576
Totals	\$ 1,699,935	\$ 1,051,660	\$ 8,474	\$ 264,724
Total Operating Revenue	\$ 5,140,198	\$ 2,866,649	\$ 855,795	\$ 869,119

MARION COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Ambulance Service Fund	Grant Fund	Public Properties Corporation Fund
\$ 289	\$ 106	\$	\$ 193
			31,461
			81,870
	252,691		
	2,553		
	3,435		
	2,479		
<u>\$ 289</u>	<u>\$ 261,264</u>	<u>\$ 0</u>	<u>\$ 113,524</u>
<u>\$ 7,759</u>	<u>\$ 290,532</u>	<u>\$ 136,820</u>	<u>\$ 113,524</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

MARION COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	<u>Final Budget</u>	<u>Budgeted Expenditures</u>	<u>Under (Over) Budget</u>
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 48,400	\$ 48,281	\$ 119
Deputy County Judge/Executive	26,262	26,152	110
Membership KACO	2,000	1,725	275
Travel	2,000	635	1,365
Office of County Attorney:			
Salaries-			
County Attorney	31,302	31,096	206
Secretary	6,321	6,300	21
Office of County Clerk:			
Salaries-			
County Clerk	3,600	3,600	
Office Supplies	16,000	15,631	369
Office of County Coroner:			
Salaries-			
County Coroner	4,800	4,800	
Deputy Coroner	1,800	1,800	
Fiscal Court:			
Elected County Officials	30,000	26,218	3,782
Office of Property Valuation Administrator:			
Program Support	20,420	20,420	
Office of Board of Assessment Appeals:			
Board and Committee Members Fees	900	900	
Office of County Treasurer:			
Salary-			
County Treasurer	26,262	25,416	846

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>General Government</u> (Continued)			
County Law Library:			
Law Librarian Salary	\$ 600	\$	\$ 600
Elections:			
Per Diem-			
Election Commissioners	1,000	960	40
Election Officers	5,000	4,880	120
Election Tabulator	350	280	70
Rental of Voting Machines	300	245	55
Other Supplies	7,500	5,615	1,885
Economic Development:			
Program Support	70,000	70,000	
Courthouse:			
Salaries-			
Custodial Personnel	35,360	34,804	556
Telephone	35,000	28,957	6,043
Utilities	35,000	34,307	693
Office Rent	6,000	6,000	
Data Processing	15,000	12,553	2,447
Courthouse Maintenance	50,000	40,084	9,916
Courthouse Supplies	60,000	59,826	174
Custodial Supplies	10,000	9,876	124
Pest Control	600	315	285
Laundry Services	2,000	1,490	510
Postage	12,000	10,703	1,297
<u>Protection to Persons and Property</u>			
County Fire Department:			
Program Support	59,000	37,500	21,500
Rescue Squad:			
Program Support	7,500	7,500	

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Disaster and Emergency Services:			
Program Support	\$ 7,000	\$ 5,721	\$ 1,279
Miscellaneous	5,000	2,949	2,051
Emergency Dispatch Service:			
Dispatch Service	50,000	46,095	3,905
<u>General Health and Sanitation</u>			
Animal Control:			
Salaries	18,000	16,823	1,177
Supplies	60,000	48,313	11,687
Solid Waste Collection:			
Solid Waste Transfer	375,000	346,364	28,636
Machinery and Equipment	50,000	29,242	20,758
Collection Salaries	265,000	231,966	33,034
Soil and Water Conservation:			
Program Support	15,000	15,000	
<u>Social Services</u>			
Senior Citizens Program:			
Program Support	4,500	4,418	82
Kentucky Food Bank:			
Program Support	1,000		1,000
Public Advocate Program:			
Legal Fees	17,780	10,002	7,778
<u>Bus Services</u>			
Transportation of School Children	82,000	81,735	265

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
<u>Recreation and Culture</u>			
Other Recreation Program:			
Program Support	\$ 15,000	\$ 13,000	\$ 2,000
<u>Debt Service</u>			
Lease:			
Principal on Lease	226,000	216,710	9,290
Interest on Lease	30,000	23,851	6,149
Kentucky Advance Revenue Program -			
Interest	37,000	24,941	12,059
Other County Liabilities:			
KACO All Lines Fund	20,000	17,754	2,246
<u>Capital Projects</u>			
Land Acquisition	45,000	45,000	
Consultants	50,000	43,170	6,830
<u>Administration</u>			
General Services:			
Audit Services	20,000	13,258	6,742
Insurance	75,000	71,983	3,017
Bank Charges	1,000	56	944
Fringe Benefits:			
County Contributions-			
Social Security	50,000	50,000	
Retirement	83,000	82,860	140
Health Insurance	140,000	137,633	2,367
Life Insurance	25,000	22,188	2,812
Worker's Compensation	45,000	44,766	234
Unemployment Insurance	10,000		10,000

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u> (Continued)			
Total Operating Budget	\$ 2,454,557	\$ 2,224,667	\$ 229,890
Other Financing Uses:			
Kentucky Advance Revenue Program- Principal	1,166,540	1,166,540	
Total General Fund	\$ 3,621,097	\$ 3,391,207	\$ 229,890
<u>ROAD AND BRIDGE FUND</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 28,763	\$ 28,451	\$ 312
Road Maintenance:			
Road Workers Salaries	204,500	201,358	3,142
Road Materials	200,000	186,256	13,744
Crushed Stone and Gravel	260,000	259,891	109
Gasoline	50,000	45,302	4,698
Machinery and Equipment	100,000	81,186	18,814
Prior Year Claim	45,600	45,035	565
<u>Debt Service</u>			
Kentucky Advance Revenue Program - Interest	2,800	2,110	690
<u>Administration</u>			
General Services:			
Bank Charges	1,000		1,000
Fringe Benefits:			
County Contributions-			
Retirement	22,000	19,983	2,017
Social Security	20,000	16,637	3,363
Health Insurance	40,000	26,833	13,167

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u> (Continued)			
Total Operating Budget	\$ 974,663	\$ 913,042	\$ 61,621
Other Financing Uses:			
Kentucky Advance Revenue Program- Principal	99,000	98,665	335
Total Road and Bridge Fund	\$ 1,073,663	\$ 1,011,707	\$ 61,956
<u>JAIL FUND</u>			
<u>Protection to Persons and Property</u>			
Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 47,899	\$ 46,728	\$ 1,171
Deputies	423,280	422,895	385
Other Salaries	944	928	16
Contracts with Government			
Agencies	129,000	128,918	82
Operations-			
Cleaning Supplies	24,000	23,953	47
Office Supplies	22,500	21,391	1,109
Food	130,000	130,773	(773)
Food Preparation	2,000	1,808	192
Prisoner Clothing	8,000	7,723	277
Prisoner Hygiene	1,000	988	12
Routine Medical	38,000	37,820	180
Staff Uniforms	18,000	17,678	322
Utilities	48,000	47,854	146
Telephone	7,000	7,297	(297)
Furniture and Fixtures	1,450	1,405	45
Pest Control	1,000	841	159
Miscellaneous Operating Expense	2,000	743	1,257
Maintenance-			
Building Repairs	7,500	6,983	517
Equipment Repairs	7,000	6,669	331
Juvenile Services-			
Contracts with Government			
Agencies	8,000	7,614	386

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>JAIL FUND</u> (Continued)			
<u>Protection to Persons and Property</u> (Continued)			
Debt Service:			
Interest on Notes Payable	\$ 157,000	\$ 179,182	\$ (22,182)
<u>Administration</u>			
General Services:			
Membership Dues	500	500	
Staff Training	500	500	
Fringe Benefits:			
County Contributions-			
Retirement	35,000	34,885	115
Social Security	35,000	31,390	3,610
Health Insurance	51,000	50,959	41
Total Operating Budget	\$ 1,205,573	\$ 1,218,425	\$ (12,852)
Other Financing Uses:			
Debt Service-			
Principal on Notes Payable	82,000	81,049	951
Total Jail Fund	\$ 1,287,573	\$ 1,299,474	\$ (11,901)
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Road Materials	\$ 110,000	\$ 97,250	\$ 12,750

MARION COUNTY
 COMPARATIVE SCHEDULE OF FINAL BUDGET AND
 BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>AMBULANCE SERVICE FUND</u>			
Salaries:			
Medical Personnel	\$ 250,000	\$ 241,216	\$ 8,784
Temporary/Part-Time Personnel	2,000	977	1,023
Ambulance Supplies	25,000	23,664	1,336
Maintenance	25,000	23,328	1,672
Gasoline	10,000	8,410	1,590
Telephone	4,000	2,345	1,655
General Services:			
Bank Charges	1,000	122	878
Fringe Benefits:			
County Contributions-			
Retirement	20,000	19,138	862
Social Security	20,000	17,654	2,346
Health Insurance	19,000	14,006	4,994
Total Ambulance Service Fund	<u>\$ 376,000</u>	<u>\$ 350,860</u>	<u>\$ 25,140</u>
Total Operating Budget - All Funds	\$ 5,120,793	\$ 4,804,244	\$ 316,549
Other Financing Uses:			
Kentucky Advance Revenue Program-			
Principal	1,265,540	1,265,205	335
Debt Service-			
Principal on Notes Payable	82,000	81,049	951
TOTAL BUDGET - ALL FUNDS	<u><u>\$ 6,468,333</u></u>	<u><u>\$ 6,150,498</u></u>	<u><u>\$ 317,835</u></u>

SCHEDULE OF GRANT FUND EXPENDITURES

MARION COUNTY
SCHEDULE OF GRANT FUND EXPENDITURES

Fiscal Year Ended June 30, 1998

<u>Expenditure Items</u>	<u>Amounts</u>
Planning Fees	\$ 7,000
Waterline Construction	122,320
Administration	<u>7,500</u>
Total	<u>\$ 136,820</u>

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SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

MARION COUNTY
SCHEDULE OF PUBLIC PROPERTIES CORPORATION FUND EXPENDITURES

Fiscal Year Ended June 30, 1998

	Fair Association Fund	Jail Construction Fund	Total Public Properties Corporation
English Saddle Horse Show	\$ 4,613	\$	\$ 4,613
Western Horse Show	1,966		1,966
Truck and Tractor Pulls	4,905		4,905
Harness Racing	33,162		33,162
Dairy Show	323		323
4 - H Shows and Exhibits	1,476		1,476
Home Economic Floral Hall	667		667
Beauty Pageants	2,190		2,190
Carnival	17,672		17,672
Country Music Show	300		300
Dues	160		160
Utilities	4,724		4,724
Repairs and Maintenance	3,358		3,358
Interest Expense	3,167		3,167
Supplies	402		402
Advertising	2,415		2,415
Miscellaneous Expense	149		149
General Fair Expenses	4,384		4,384
Insurance Expense	6,183		6,183
Office Supplies	150		150
Beef Show	1,292		1,292
Fireworks Display	5,000		5,000
Demolition Derby	2,404		2,404
Miscellaneous Events	500		500
Professional Services		151,915	151,915
Jail Construction		832,886	832,886
Bank Charge		10	10
Check Printing		100	100
Computer Equipment		17,304	17,304
Cleaning Supplies		3,623	3,623
Fax Machine		4,925	4,925
Interest and Prepayment Penalty		158,340	158,340
Totals	<u>\$ 101,562</u>	<u>\$ 1,169,103</u>	<u>\$ 1,270,665</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable David R. Hourigan, Marion County Judge/Executive
Members of the Marion County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Marion County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated March 7, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marion County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations, included herein.

- The County Treasurer Should Prepare And Publish An Annual Settlement
- The County Judge/Executive Should Present All Claims To The Fiscal Court For Review
- The County Should Budget All Expected Receipts And Expenditures
- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- The County Should Not Make Expenditures In Excess Of Approved Budget

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marion County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions

Honorable David R. Hourigan, Marion County Judge/Executive
Members of the Marion County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Marion County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations, included herein.

- The County Treasurer Should Prepare And Publish An Annual Settlement
- The County Judge/Executive Should Present All Claims To The Fiscal Court For Review
- The County Should Budget All Expected Receipts and Expenditures
- Accurate Accounting Records Should Be Maintained By The County
- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- Fiscal Court Should Take The Necessary Steps To Ensure That Health Insurance Premiums Are Properly Withheld From Employee Payroll Checks
- The County Should Not Make Expenditures In Excess Of Approved Budget

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The County Judge/Executive Should Present All Claims To The Fiscal Court For Review
- The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund
- The County Should Not Make Expenditures In Excess Of Approved Budget

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
March 7, 2000

COMMENTS AND RECOMMENDATIONS

MARION COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

STATE LAWS AND REGULATIONS:

1) The County Treasurer Should Prepare And Publish An Annual Settlement

The county treasurer should prepare a full and complete annual settlement within thirty days after close of each fiscal year as required by KRS 68.020. KRS 424.220(6) further requires the county treasurer to prepare an annual settlement and publish it within 60 days after the close of the fiscal year. The county treasurer published the summary sheet from his June 30th quarterly financial statement, but we could find no indication that the fiscal court approved the publication. We recommend the county treasurer present a complete settlement to the fiscal court within 30 days after the close of the fiscal year and publish an annual settlement within 60 days after the close of each fiscal year.

County Judge/Executive's Response:

None.

2) The County Judge/Executive Should Present All Claims To The Fiscal Court For Review

During the audit, we discovered that the county judge/executive did not present all claims to the fiscal court for its review. KRS 68.275(2) states the county judge/executive shall present all claims to the fiscal court for review prior to payment and the court, for good cause shown, may order that a claim not be paid. We recommend that the county judge/executive comply with KRS 68.275(2) by presenting all claims to the fiscal court for their review.

County Judge/Executive's Response:

None.

3) The County Should Budget All Expected Receipts and Expenditures

The Grant Fund received and expended \$136,180 of Community Development Block Grant funds for the Finley Ridge Water Expansion Project that were not budgeted. In accordance with KRS 68.220, the county budget should provide for all funds, including those from federal sources, expected to be expended by the county from current revenue for each fiscal year. We recommend the fiscal court include in the county's budget all moneys expected to be received and expended in a fiscal year or utilize budget amendments in accordance with KRS 68.280, which allows for the expenditure of receipts unanticipated in the original budget.

County Judge/Executive's Response:

None.

4) Accurate Accounting Records Should Be Maintained By The County

The county's appropriation ledger was not correctly posted; thus, resulting in an inaccurate county financial statement. We noted that several expenditures were posted to improper expenditure accounts. These mispostings create inaccurate totals for line item expenditures, hindering the budget preparation process. We recommend that accurate records be maintained in the future and that all expenditures be posted to the proper expenditure accounts.

MARION COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1998
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

4) Accurate Accounting Records Should Be Maintained By The County (Continued)

County Judge/Executive's Response:

None

5) The Jailer Should Improve The Internal Controls And Accounting System Of The Jail Commissary Fund

A material weakness in an internal control and accounting system results when the design or operation of the system does not reduce to a relatively low level the risk that material noncompliance with laws and regulations may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. The State Local Finance Officer has issued guidelines for minimum accounting and reporting standards pursuant to KRS 68.210 and KRS 441.135 for the Jail Commissary Fund. During our audit we noted:

- The receipts ledger was not accurately maintained. Interest earned totaling \$200 was deposited to the Jail Commissary Fund account but was not posted to the receipts ledger.
- Several voided receipts were posted to the receipts ledger. Based on the adjusted Jailer's receipts ledger, receipts totaled \$120,539. Bank records indicated that only \$119,566 was deposited. We were unable to determine if the difference of \$973 was due to recording errors or undeposited receipts.
- Daily checkout sheets were not maintained and reconciled to deposit tickets.
- Prenumbered receipts were not used in numeric order. Multiple receipt books were used at the same time.
- Cash was kept in folders and given to the prisoners going out on work release. No record was kept of these receipts and disbursements; therefore, they could not be audited.
- Bond fees collected were not recorded on the receipts or disbursements ledgers.
- A monthly report of Jail Commissary receipts and disbursements was not prepared as required by the Department for Local Government.
- Invoices could not be found to support two of the tested expenditures of the Jail Commissary Fund.

The Jailer should monitor his employees to determine if the accounting and internal control system is in place and working. We recommend that the jailer contact the Department for Local Government or our office to assist him in designing an adequate internal control and accounting system.

Jailer's Response:

We are now making daily deposits matching our daily checkout sheets. Multiple receipts books were used because we accepted money at multiple locations (canteen, office, booking). Monthly reports are now being done.

MARION COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 1998
(Continued)

STATE LAWS AND REGULATIONS: (Continued)

6) Fiscal Court Should Take The Necessary Steps To Ensure That Health Insurance Premiums Are Properly Withheld From Employee Payroll Checks

The Fiscal Court's policy concerning health insurance premiums is to pay the cost of coverage for its employees; each employee may then elect to insure his/her family under the same insurance policy at his/her own cost. Such premiums are to be withheld from employee payroll checks. Prior to beginning our audit, the County Judge/Executive informed us that these premiums were not withheld for several employees. As a result of our test of payroll, we also noted several other employees who did not have the premiums withheld from their checks. Our estimate of health insurance premiums not withheld during fiscal year ended June 30, 1998 is \$13,855; our estimate of total health insurance premiums not withheld is in excess of \$33,000. We recommend that the Fiscal Court attempt to recover these funds. We also recommend that, in the future, the Fiscal Court take the necessary steps to ensure that these insurance premiums are withheld from employee payroll checks.

County Judge/Executive's Response:

None.

7) The County Should Not Make Expenditures In Excess Of Approved Budget

During the audit, we determined that Jail Fund expenditures exceeded the amount budgeted by \$11,901. KRS 68.300 states, "Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim." In addition, KRS 68.280 states, "The fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget." We recommend that the county utilize the budget and budget amendment process and not make expenditures in excess of approved budgeted amounts.

County Judge/Executive's Response:

None.

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CERTIFICATION OF COMPLIANCE - LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

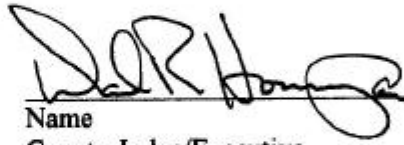
MARION COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

Appendix A


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS
MARION COUNTY FISCAL COURT

The Marion County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer